A STUDY OF THE SUPPLY OF ENGLISH LANGUAGE SOUND RECORDINGS TO CANADIAN PRIVATE RADIO STATIONS

Prepared for the

TASK FORCE ON BROADCASTING POLICY

In accordance with
Contract Number 36100-5-0436

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Submitted by

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PART I

INTRODUCTION

The Mandate

This study was prepared in accordance with Contract Number 36100-5-043. It fulfills the first of two obligations under the contract, namely to prepare a study which will synthesize a cross-section of views of Canadian private radio broadcasters. The study must be viewed in the context of the objectives of the Task Force. As stated by the Honourable Marcel Masse in his address to the Canadian Cable Television Association and The Broadcast Executives Society:

> "The Task Force shall make recommendations to the Minister of Communications on an industrial and cultural strategy to govern the future evolution of the Canadian broadcasting system through the remainder of this century.
>
> The strategy will take full account of the overall social and economic goals of the government, of government policies and priorities, including the need for fiscal restraint, increased reliance on private sector initiatives and federal-provincial co-operation, and of the policies of the government in other related economic and cultural sectors."

This study is developed in the context of the recognition by the Minister and the Task Force of the inter-relationship between the radio and sound recording industries. The Canadian private radio industry is dependent on the sound recording industry for the supply of recordings which comprise at least 50% of the programming day of the broadcaster.

The radio broadcaster is in the business of developing an audience and sound recordings are an integral part of nearly all broadcasters' programming.

This study also takes into consideration the Canadian content regulations which are applicable to Canadian private radio broadcasters. When these regulations were implemented the CRTC had two objectives:

- to ensure that the programming of private AM radio stations was predominantly Canadian in character; and
- to ensure greater access by Canadian musical talent to its own air waves.

To these two objectives there is implicit a third objective of the regulations, namely:

- sales and production of Canadian content recordings should increase sufficient to meet the demand by radio broadcasters which results from the implementation of the regulations.

The study attempts to address this third objective by analyzing the Canadian private radio broadcaster's views as to whether there is sufficient supply of Canadian content sound recordings to meet the needs of the broadcaster. The corollary to this issue, also treated by the study is whether the quota under the Canadian content regulations is too high. This will assist the Task Force in determining whether changes should be made to these regulations.

Methodology

The information provided in this report was derived from a number of sources:

Primary: A number of interviews were conducted with radio industry executives during the months of December 1985 and January 1986. The executives were chosen with an objective of securing a cross-section of views within the following categories, namely:

Format: an executive from a station in each of the following formats was interviewed: Top 40 AM, Country, Progressive, Pop FM, MOR-AM, MOR-FM, Easy Listening, Music of Your Life, Adult Contemporary.

Station type: Individually owned; and part of a corporate group.

Geography: At least one station in each of the following cities was chosen: Montreal, Ottawa, Toronto, Edmonton, Vancouver. Smaller markets were also represented in the study.

Since the study was conducted with a convenience sample of less than 20 people within a short time frame, the results do not represent a statistical analysis of views of radio station executives. The results are also subject to the errors of facts and statistics which result from an interview process. Although not part of the mandate for this study, interviews were conducted with certain French language broadcasters in order to develop some understanding of the supply of francophone Canadian content recordings.

Interviews were also conducted with representatives of the Canadian Association of Broadcasters, the Canadian Independent Record Production Association and other professionals in the communications field.

During the interview process confidentiality was assured. Accordingly, comments are not attributed.

Secondary: Following the initial meeting with Mr. Pilon a review was made of the following materials and studies provided by Mr. Pilon:

- The Woods Gordon Report of 1982.
- The study of radio submitted to the Task Force of Dr. Babe, December 10, 1985.
- Le Rapport Du Groupe De Travail Au Comite Consultatif Sur La Musique De Lanque Francaise, December 5, 1985.

- The Country Music Industry in Canada, CRTC Radio Branch.

- Initiatives For The Radio and Sound Recording Industries, Discussion Paper, July 17, 1985, D.O.C., and submissions to D.O.C. in respect of the above paper.

- Selected submissions to the Task Force.

- Notes for a speech given by the author to the Canadian conference of The Arts as part of a seminar on the "Presence of Canadian Talent on Radio".

- Notes taken during the various panels forming part of Conference on Radio and Records presented by The Record and the presentation given by the author at the conference for the panel "May The Task Force Be With You".

PART II

ANALYSIS OF RADIO INDUSTRY INTERVIEWS

This section will analyse the results of the interviews conducted for the study.

Industry Overview

The study was conducted in the context of the existing Canadian content policies and regulations which require 30% for all AM stations and a range from 7% to 30% for FM stations depending on their format. The matter becomes complicated by recent decisions of the CRTC which permit 20% Canadian content for certain rock FM stations and require 30% for other FM stations with rock formats.

The needs of a radio broadcaster are determined by: (1) the format; (2) the Canadian content requirement; and (3) the competition in the market, including domestic and foreign.

Accordingly, the need for Canadian content varies from market to market and station to station. The more competitive the market, the greater the need for variety of available recordings. The more sophisticated the market the greater the need for higher quality recordings. However, the blurring of formats has resulted in different Canadian content quotas being applied to similar formats.

The broadcasting industry generally is satisfied to adhere to a status quo on an industry level which is 30% for AM and 7% to 30% for FM.

There are several caveats to this general view:

- certain formats cannot be applied to AM radio due to the 30% regulation. These include Easy Listening, Classical, Jazz, Ethnic and Children's.

- certain markets experience extensive competition from U.S. border radio stations which are carried by cable and not subject to Canadian content.

- the high foreground commitments for FM stations inhibit them from competing with U.S. FM stations in their markets.

- AM is losing listeners to FM due to better technical sound quality and less stringent FM Canadian content requirements.

- Certain formats, most noteably, Country Music may require less stringent Canadian content requirements.

There is concern on the part of a number of broadcasters and CIRPA that the latest decisions of the CRTC concerning Canadian content ("Cancon") are contradictory in that they apply different Cancon requirements to stations with similar circumstances. There is also a concern by CIRPA that these decisions indicate an abandonment by the CRTC of its support of Canadian music at a time when the Canadian music production industry continues to have difficulties.

General Comments

Each of the respondents was asked what the effect would be on Canadian radio generally if the Canadian content quotas were eliminated. None of them favoured such an approach and all indicated that they would support a quota which was more flexible, took into account certain format requirements and permitted them to discontinue programming old hits at odd hours merely to fill the Canadian content requirement.

All of the respondents demonstrated a concern as to the state of the domestic recording industry and felt that an overall strategy is necessary which would include production

and distribution incentives whether by tax incentives, government grants to FACTOR CTL or otherwise.

Each respondent had concerns as to the role of FACTOR in producing records and some felt that given more resources FACTOR could also address problems of marketing and distribution.

In markets where U.S. signals are available, Canadian content quotas have hurt Canadian broadcasters. For certain formats in markets such as Toronto, Windsor, Vancouver and Victoria, U.S. stations have developed a sizeable audience share. The Commission has recognized this problem in Windsor through its relaxing of Canadian content. However, in Windsor it is generally felt that Canadian content is <u>not</u> the major reason for loss of audience to U.S. stations. Many broadcasters felt that other CRTC policies were to blame for this problem.

All broadcasters agreed that the elimination of Canadian content would <u>not</u> result in significant audience gains to Canadian radio stations and the benefits would be minimal as compared to the loss to the Canadian independent production sector.

The effects of Cancon on AM and FM were summarized by a number of broadcasters as follows:

> AM stations are not playing more new music than FM; where the quota is 30% on AM, 10% is made up of old hits and these are mostly played after 10:00 p.m.

Many broadcasters were concerned that much of the money and resources required to be devoted to promotion of Canadian talent is wasted. Financial commitments to produce "home grown" albums and live radio concerts generally have poor results. Many broadcasters also felt that money would

be better spent through more support to FACTOR for production assistance and on promotion of records by advertisements and other marketing incentives developed with the record industry.

Several broadcasters were concerned that commitments to promotion of Canadian talent are applied across the board to stations which are not music oriented. The resources of such stations would be better spent on improving the stations' non-music programming such as news and also spent to fund organizations like FACTOR which are better equipped to manage recording production incentives.

Similarly, where the Commission insists that every station have high levels of news and other information programming this leads to an expenditure of funds which would be better spent in many instances on other programming such as music. By requiring each and every station to provide diversified programming including news, sports, public affairs, the competition between stations is reduced and the opportunity for excellence in a particular area be it news or music is also reduced. Notwithstanding this, all broadcasters felt that there was some obligation to assist the record production industry no matter what their format.

The continued reliance by most Canadian broadcasters on 'old gold' and the programming of much of this material in off-peak hours is generally felt by broadcasters to be counter-productive but necessary to comply with the regulations. A reduction in the quota from 30% to 20% would have the result of lessening the reliance on older material.

For the record industry, radio programming of old hits does not generate sales and does not increase the supply. This comment must be tempered by the fact that the playing of older Canadian hits results in substantial music performing rights payments to authors, composers and publishers.

This revenue in turn is often used to finance record production (since nearly all independent Canadian production companies are publishers). Accordingly, a careful review of the effect on both record production and music publishing must be made should the content quota be reduced.

One station performed a study on the effect of the maximum repeat factor. The study analyzed a record in the same fashion as a commercial and determined that if a recording were programmed 18 times per week, the record would have to be programmed for 3 months in order to reach 70% of the station's audience once. Accordingly, the maximum repeat factor is viewed as a serious impediment to generating record sales by FM, particularly given the tendency for younger listeners who buy records to listen to FM.

Many of the older records represent "one hit" wonders or groups which broke up long ago. The former assists in developing and perpetuating an artist's career as witness the continued success on tour of a "Hagood Hardy". The latter do not contribute to a "star system".

FORMAT ANALYSIS

The following section of this part of the study will analyse the interviews by format category.

Easy Listening

The Easy Listening format on FM has not experienced difficulties with supply of Canadian content and a quota of 10%. Much of the Easy Listening music programmed is not current. Like all radio stations the object is to entertain listeners, not to sell records.

The "Easy Listening" audience tends to be older and is not a major record purchaser, particularly since these listeners do not go to record stores. As demographics change and the population gets older, this format should become more popular. In the future, due to the non-purchase of records by the audience to this format supply may become a problem.

The Canadian Talent Library has been an important supplier to this format and there is concern that the transfer of CTL to FACTOR may result in fewer recordings. One possible solution to this is to joint venture with organizations in other countries such as the International Beautiful Music Association to produce recordings in Canada suitable for the international market.

The recent changes in policy at FACTOR (contributing up to 90% of the cost of musicians plus 50% of the cost of the studio) addresses part of the problem of future supply. FACTOR is market driven due to its 'matching funds' concept and the requirement of distribution. Since many Beautiful Music and Easy Listening recordings do not sell through normal channels, other means of distribution should be explored both in Canada and internationally.

Several broadcasters are concerned that the older demographics which support Easy Listening continue to have a preference for AM and the 30% quota on AM eliminates any possibility of this format on AM radio.

Adult Contemporary

This format on FM is generally subject to a 20% requirement. The level is generally acceptable but from time to time there is a lack of availability of current recordings. By way of example, it was pointed out that during the summer

of 1985 there were no new releases and stations relied on old hits to fill the quota. Some concern was expressed that many recordings are programmed which prove unsuccessful. For this format to be successful, it must play a mixture of current hits and older material and derives its strength from playing records earlier than AM stations.

A problem for this format is the tendency for artists to be "one" hit wonders such as Hagood Hardy and Frank Mills, or, to be so over-exposed that they "burn out". Examples of this are Barbara Streisand, Barry Manilow, Culture Club and Lionel Ritchie.

An additional problem for supply is the lack of an outlet for videos of adult contemporary artists in order to assist in record sales. The Much Music Network is too youth oriented and does not provide the outlet. In the U.S. VH-2 has been successful in exposing artists and selling records. It was suggested that VH-2 be permitted into Canada perhaps on a joint venture basis with a Canadian who would provide segments of Canadian contest.

In the long term, there is a concern that changing demographics and lack of purchasing of records by listeners will aggravate supply problems.

At present, Canadian radio stations receive on average 2-3 Canadian content LPs per month which are suitable for this format. An increase in supply or a lowering of the quota would lessen their reliance on older hits.

Contemporary MOR

A 30% Canadian content quota for Contemporary MOR stations is very tough to meet and results in playing of old

gold which does not sell records. A 20% quota for this format would be more acceptable.

Music of Your Life

This format uses music from the 1940's and 1950's for the bulk of its programming. Less than 1/3 of the recordings are from 1960's, 1970's and 1980's. For AM stations in this specialized format the 30% is too high and 20% would be more realistic. The result is an above-average repeat of Canadian recordings.

For this format, there is a defined universe of available recordings which is not significantly increased by current production. If the format were on FM, the Canadian content quota would be 10% (but with additional restrictions as to foreground programming and commercials). For the current portion of the programming, CTL has been of significant assistance. For the future, there are not enough stations in Canada to justify significant production and the records produced generally do not sell through traditional distribution.

Pop FM

This format is generally subject to 20% Canadian content. This level is acceptable to most broadcasters, although it does result in some overplaying of old hits. The larger market stations are concerned about the decline in high quality Canadian content releases. Major market broadcasters are concerned for the long term because of foreign signals in their markets which are not subject to quotas and the steady decrease of supply in Canada. The solution to the problem involves incentives for supply since access to the

airwaves alone is not sufficient. This format generally competes with the CHR AM format which is subject to a 30% quota. Accordingly, in comparison to its competition, it has a more "current" sound.

Country Music

The Country Music stations in Canada do not have identical formats and do not have identical needs for supply. The fragmentation of Country Music format is unlike the Rock formats which tend to programme the same music. Country formats range from Top-40 Country to Traditional Country. Further subdivisions were identified as Urban, Maritime, Ottawa Valley, Prairies. The 30% requirement for AM and a general requirement of 30% for FM was felt to be unrealistic and results in overplaying of older recordings due to lack of supply.

Most Canadian Country recordings tend to be locally produced and distributed and would not be reflected in the Statistics Canada or CHUM supply figures, Although many of these local recordings enjoy limited success, they do form part of many broadcasters' programming. Thus, Statscan or CHUM statistics for this format are unreliable.

Every broadcaster expressed the view that there should continue to be Canadian content quotas. However, the existing supply problem could be solved by reducing the quota to 20% for both AM and FM Country formats.

Part of the problem for some FM broadcasters is that they made commitments at 30% Canadian content which in retrospect they should not have made. Without a full understanding of the implications of reducing a quota to 20% for

such stations, the CRTC has not been receptive to requests for reduction.

Most broadcasters felt that a 10% to 15% quota would be acceptable for a Country station. One executive provided me with the results of a study of new available Country Music recordings for 1984, which represented the following:

L884

Canadian Content - Country

Singles	LPs
400-500	40-50

Of the above new releases, approximately 80% are unacceptable for airplay on major market stations.

This format relies on old hits to fulfill much of its Canadian content requirement. However, the average library contains 3,000 foreign cuts versus several hundred Canadian cuts.

It was also pointed out that Canadian broadcasters are not exposed to many of the records which U.S. broadcasters receive since Canadian national distributors only release hit singles and albums by hit artists. To compare U.S. hits with many local Canadian recordings is unfair. However, U.S. radio stations generally do not play local records, due to the availability of hit records from many national distributors. In Canada, only RCA Records is perceived as a distributor with the ability and interest to market Country Music. Capitol Records with Anne Murray has a limited presence in the field but the other distributors do not support Canadian talent.

Since 1970, the efforts of the Canadian radio and sound recording industries have resulted in only one Canadian international Country Star -- Anne Murray. Many broadcasters are concerned that Canadian artists may choose to avoid making a career in Country Music, due to this lack of success.

It was also pointed out that 80% of the Country records in Canada do not have retail distribution. Accordingly, airplay does not result in retail sales. This view was contradicted by artists who indicated that concerts are promoted through radio and nearly all Country artists sell records at concerts.

Video and traditional marketing of records is not generally effective in the Country field. The Canadian market generally does not support Country Music, both foreign and domestic, to the same extent as Rock music.

The problem of supply of Canadian Country Music is thus viewed as a function of a limited market in Canada and an overall lesser acceptance at retail of Country Music generally.

The result of the 30% Canadian content quota on Country broadcasters is that music programming standards have been lowered through the need to play 30%. Some programmers indicated that artists have come to them with inferior product knowing that it does not meet international standards, but also knowing that Canadian stations must play the record. This does not contribute to the development of an industry and a star system.

One broadcaster indicated a concern that established Canadian Country artists often record in Nashville using producers and US songs which then excludes the record from U.S. Cancon qualification. In order to build a star system

in Canada, they feel that exceptions should be made for these recordings.

The Country stations, perhaps due to their programming of local productions, seem more sensitive to the problems of the production and marketing of Country Music in Canada. Perhaps this is merely a result of the acceptance of status quo programmers of other formats such as Rock due to more availability.

Broadcasters in this format feel that resources spent on promotion of Canadian talent such as concerts, "home grown" recordings and syndicated radio programming are helpful and are necessary. Since FACTOR does not identify which records it is involved with, many could not comment on FACTOR's role with Country Music. Several broadcasters felt that the solution to the problem of supply of Country Music depends on an industrial strategy which involves both radio and records. FACTOR's role to date has been limited to production and does not affect the marketing and distribution of records. Some broadcasters were reluctant to participate in FACTOR as it represents an undue intrusion by the Commission should participation become a condition or policy. On the other hand, all broadcasters acknowledged a role for FACTOR in the production process.

Progressive FM

This format generally is subject to a 20% quota and at that level the supply is generally acceptable. Some stations have been subject to 30% quota and they have difficulty meeting their obligations. This is due to a "blurring" of formats.

The supply of Cancon is subject to dry spells which results in the overplaying of old hits. For the most part a 15% or 16% quota would result in programming of current material "getting rid of old cuts and less acceptable material". At other times 23% to 25% is a reasonable quota given fluctuations in supply.

With this format there is some "glutting" in off-peak hours to meet Cancon requirements.

This radio format has become more rigid due to the tendency for record companies to target a particular track with a video. Younger demographics also have a more conservative focus and they tend to favour a particular recording from an LP. This mass appeal marketing using a particular track results in the "one song, one video, one hit" phenomenon. Radio is then reluctant to play other cuts from an LP due to audience resistance. The phenomenon of video has also affected radio's ability to break out cuts from an LP and generate market interest.

Instead of waiting for radio listeners to generate a marketing response in a form of listener "demand pull", the limiting of focus to a particular cut has led the record companies to 'push' a particular cut. The radio station's role in the process has thus been altered.

Many broadcasters expressed concerns about the existing record distribution system. As part of their listener analysis they monitor in-store availability of records, particularly Canadian content records. In most instances Canadian hit records are not "front racked" in the major retail stores and in many instances they are unavailable. Thus, the impact of radio is reduced on the sale of records and in turn, their supply.

Inefficient record distribution is, in the view of broadcasters, due to a lack of funds on the part of independents and a lack of incentives to offset risk on the part of the major distributors.

This format is largely responsible for "breaking" of new talent and radio executives are sensitive to the problems of production and marketing of records. FACTOR's efforts, while recognized, fall short in that FACTOR's involvement ends with the production of the record. The lack of marketing and distribution follow-up are areas where FACTOR might also be involved. Other marketing incentives should also be provided to the record industry.

AM-Contemporary Hit Radio

This is an AM format subject to 30% Canadian content. The format depends on current hit material.

The supply of Canadian content is insufficient and results in overplaying of a select few current Canadian hits, since the format does not use old hits to fill its content quota.

The lack of supply results in the programming of a number of Canadian records which are not hit material and which are dropped "as quickly as possible".

A Cancon quota of 15% to 20% for this format would be more realistic. AM stations with this format cannot play non-hits in their prime time blocks for fear of losing audience. Since relatively few Canadian records are current hits, the Canadian non-hits are considered too high a risk.

This format is subject to loss of audience to FM which is generally subject to 20% quota for the same type of format.

Programmers are concerned that excessive playing of legitimate Canadian hits will burn them out too quickly and over-expose the artist. This format tends generally to over-expose current hits and artists such as Michael Jackson and Culture Club have suffered from this over-exposure. The problem becomes particularly acute with Canadian artists such as Bryan Adams and Corey Hart.

Airplay of current hits on these stations sells records. Over-stimulation of Canadian hits also sell records (unlike other formats which fill Cancon requirements with old gold). However, the marginal increase in sales from over-stimulation must be weighed against the risk of "burning out" the artist.

It was generally felt that many of the financial and other resources required to be devoted to the promotion of Canadian talent are wasted. Particularly, with respect to FM and more particularly <u>new</u> FM licences: "It is not radio's job to produce, promote and distribute records". However, all broadcasters acknowledged a responsibility to assist the record production industry.

<u>The AM versus FM Issues</u>

Many broadcasters were concerned that the Canadian content quota is used to permit FM to be more competitive and that the existing regulation of 30% is unfair. However, when pressed on this issue, all agreed that Canadian content is merely one of many issues and that broadcasters have not been able to agree among themselves as to a common approach. The

conclusion from these comments is that Canadian content quotas should not be changed until the broader issue of AM versus FM is addressed and until broadcasters can agree on a common approach.

PART III

The Statistics Concerning Supply

There are several sources for determining the number of Canadian content English language recordings received by radio stations. The most stringent criteria are applied by CHUM Limited which has performed a yearly analysis of English language Cancon recordings released by multinational record distributors.

The CHUM Analysis of Supply

The CHUM chart provides a ready reference for nationally distributed records, However, it does not indicate which records and which album cuts are acceptable for programming either as hits or otherwise.

However, the chart does indicate a steady downward trend in English language releases.

CIRPA's View

In the view of a number of CIRPA members, the availability of Canadian content should not be limited to new releases. At any time and depending on the format, Canadian

ANNUAL/CHUM REPORT TABLULATION OF
NEW, NATIONALLY DISTRIBUTED
CANADIAN CONTENT SINGLES & ALBUMS

These figures are confirmed by the CHUM Music Department oontacting all national distributors.

	Singles	Weekly Average	Albums	Weekly Average
1971	394	7.7		
1972	377	7.25		
1973	437	8.4		
1974	408	7.8		
1975	not available			
1976	not available			
1977	370	7.1		
1978	not available			
1979	366	7.0	213	4.1
1980	336	6.5	197	3.8
1981	345	6.6	181	3.4
1982	262	5.0	142	2.7
1983	207	3.8	106	2.0
1984	230	4.4	89	1.7
1985	202	3.9	78	(lowest year ever) 1.5

The above does not include francophone product and reoordings distributed locally or regionally by non-national distributors.

* Source: CHUM Limited

radio stations programme current recordings and older "gold" material. Thus, a tally of new releases is not a true indicator of supply. For certain formats such as easy listening, much of the programming comes from the record library of non-current material.

In addition, the tendency of many broadcasters not to programme Canadian content in key time periods such as 7:30-8:30 a.m. and afternoon drive means that the supply of Canadian content is not a concern for the two critical time segments which represents 50% of the reach of the average station.

Many broadcasters, other than CHUM, programme recordings distributed by regional distributors. This is particularly true in the Country field.

It would be a valuable tool for further analysis, to determine the actual audience to Canadian content recordings throughout each radio station's day.

The result of this analysis would indicate whether the 30% airplay on AM Radio in fact reached 30% of the audience.

In CIRPA's view, a hypothesis for such analysis should be that the 30% Canadian content requirements on AM Radio result in actual audience of 15% or less of the average station's total audience and this correlates with a market share of Canadian content recordings of 7% to 8%.

The clear divergence of views of CHUM and CIRPA underline the fact that for certain large markets the competition requires programming of only the highest quality recordings as represented by nationally distributed records which by definition have been subject to a marketing filter process

and which are supported by the resources of a national distributor. It is also clear that for smaller markets, locally distributed records are programmed and should be included in the supply.

CRTC French Language Music

The report prepared by the Comite Consultatif Du CRTC Sur La Musique De La Lanque Francaise contains in Appendix VI, the Statistics Canada data concerning the release of newly recorded material. These findings were reproduced in graph form in Figures 1 and 2 of the report.

The statistics indicate an overall increase in English language Canadian content 45s and LPs from 1973-1983. Graphs 3 and 4 are also reproduced here to indicate total releases of new 45s and LPs respectively, during the same period.

The figures indicate the following:

CRTC Consultative Committee Analysis of Statscan Data

New Releases of English Language Recordings

	45s		LPs	
	CANCON	TOTAL	CANCON	TOTAL
1979	280	1700	200	1800
1983	430	1900	310	2300

A conclusion which is evident from an analysis of the above is that overall releases of English language recordings have increased, for 45s: 11.7%, and for LPs: 27,7%, while releases of Cancon English language recordings have increased for 45s: 53% and for LPs: 55%. This information contradicts the CHUM data and supports CIRPA's position.

The CRTC Country Music Study

The CRTC Study analysed the statistics of Country Music recordings from 1977 to 1983. According to Statscan, the number of albums released containing at least one Canadian content selection in "Country and Folk" dropped from 150 (in 1877) to 44 (in 1983). A CRTC Survey for 1984 showed the following: Canadian content LPs: 20 - 40, American Country albums: 150 - 200. Canadian Country recordings thus represent 15% of the Country albums released in Canada. Graphs 1 and 2 of that report indicate the total number of 7" and 12" recordings respectively.

The graphs indicate the following:

CRTC Country Music Study

	Country 45s		Country LPs	
	CANCON	TOTAL	CANCON	TOTAL
1977	130	380	150	380
1983	85	280	50	230

These statistics do not include many locally produced and distributed Canadian content singles and albums which form part of the programming of many stations and which may represent as much as 80% of the Cancon Country records released.

Conclusions Concerning Supply Statistics

A definitive statistical analysis of supply of Canadian content releases cannot be made due to discrepancies in available data. In addition, the supply of sound recordings must be viewed in the context of each radio station's format. In simple terms, heavy metal records are unsuitable for Easy Listening formats while Easy Listening instrumentals may be unsuitable for other formats. The analysis is further complicated by the tendency for Canadian radio stations to crossover many recordings, particularly Canadian content from format to format.

A simple analysis of new releases does not tell the complete story in that many stations rely on older material for a significant part of their programming. Furthermore, many of the new releases are unacceptable to certain formats and most new releases are in general not programmed.

In order to properly evaluate the supply issue, in-depth analysis should be made of the Canadian content music played by each format identifying both new and old recordings. This would hopefully provide a more objective result than either a cross-section of views or an analysis of statistics of records released.

PART IV

ANALYSIS OF SECONDARY DATA

Review of Radio Submission to the DOC

Re Initiatives Proposals

The DOC Discussion Paper "Initiatives For The Radio And Sound Recording Industries" recommended:

> "the continued commitment to minimum levels of Canadian content on radio".

However, the paper confuses the recommendation by going on to state:

> "At present, only musical selections are subject to Canadian content regulations -- the development of integrated programs is discouraged by the current recorded music approach. Other forms of Canadian content programming could be assisted by appropriate regulatory incentives, perhaps by extending some form of Canadian content recognition. The CRTC could be encouraged to develop such mechanism.
>
> In addition, there could be a re-examination of all existing regulations and policies with a view to greater simplicity and flexibility. This would encourage radio broadcasters to innovate while, at the same time, ensure that the essential existing objectives for broadcasting system continue to be fulfilled."

This statement was addressed by a number of submissions to the DOC which criticized the proposal to the extent that credit for non-music programming would reduce the Canadian content component in music on radio. This criticism was particularly expressed by CAPAC, by CIRPA and Attic

Records. The Canadian Music Centre argued for applying the 30% Canadian content to FM.

CFPL Broadcasting Limited stated:

> "The following initiatives are difficult to support because of the circumstances involved with each item:
>
> .... iv) Radio Regulations and Policies
>
> If "other forms of Canadian content programming" such as the spoken word are recognized for content, the end result could be counter-productive to the thrust of the discussion paper.
>
> It could create a less structured format and inhibit the music that is played. It might be more Canadian and give the audience an opportunity to listen to foreign (U.S.) signals. This situation is documented in the Ontario Ministry of Transportation and Communications report on FM Radio Listener and Broadcaster Attitudes published in May, 1985.

Several submissions concerning the Doc Discussion Paper are of interest to an analysis of the supply of Canadian content.

> The Moffatt Communications submission concludes that:
>
> "Canadian content legislation has not worked in the sense that there is a great deal more product available and a thriving industry producing great quantities of recorded music. There is, as everyone knows, considerably less product available now than ever before."

It should be noted that Moffatt submission does not argue for "the elimination of Canadian content on radio". The Moffatt submission also argues that:

"Canadian content regulations have not had any positive effect whatsoever in assisting Canadian artists and composers to reach international stardom."

The DOC Discussion Paper omits to treat the music publishing industry which works with the writer to develop songs commercially and in the case of the independent, finances production recordings.

The Radio and Records Conference

At the November 1985 Conference on Radio and Records, Chuck McCoy of Moffatt Broadcasting stated "radio plays songs, not artists, while record companies sign artists, not songs", and "radio does not break new acts, retail does".

The music industry representatives indicated that Contemporary Hit Radio sells singles, not albums and 50% of all singles distributed are not sold and are returned.

The Conference provided the record industry side of the interrelation between radio and records.

The Conference speakers indicated that LP releases in the U.S. have declined from 4780 in 1978 to 1700 in 1985. Distribution has been consolidated and signings of new artists are down 45% in the last 5 years. This trend must also be measured against a worldwide trend to dominance of U.S./U.K. English language product. Limited size markets such as Canada cannot support a domestic industry without international success which in turn requires investment.

This trend was discussed by a U.S. record executive who pointed out that 50% of the acts in the U.S. Top 10 LP charts during the week of November 3 were foreign.

The decrease in supply of Canadian recordings is merely reflective of a worldwide trend.

The Canadian content regulations were the subject of considerable discussion and it was felt that Cancon regulations for radio have not resulted in significant sales increases:

	% Share of Record Sales	% Share of Airplay
1971	6 - 7%	4 - 7%
1985	8 - 8%	30%/20%

It was also indicated that radio cannot be saddled with the entire responsibility for development of the music industry.

Radio Submissions To The Task Force

The Radio Bureau of Canada Submission argues for a reduction in Canadian content quotas to match the supply. The effect of the present policies is "high repetition of Canadian gold" and the contribution to burn out of new Canadian product. The effects of Cancon and other regulations such as "maximum repeat factor" are to reduce hours tuned and per capita spending on Canadian radio. A comparison with U.S. data shows that Americans, particularly teens, the record buying audience, listen to more radio than do Canadians.

The CAB presentation to the Task Force did not touch upon the Canadian content regulations.

The Atlantic Association of Broadcasters Submission expresses the concern that importation of foreign radio signals for cable delivery in Canada provides for unfair competition. The Association also states:

> "Canadian content is another problem we must address. There simply is not enough good quality Canadian production to warrant 30 percent Cancon for AM broadcasters. We would request an immediate reduction to 20 percent and reassess within a reasonable time period, perhaps five years."

The Submission by CISN FM states:

> "I am taking the liberty of enclosing a copy of a recent brief that was submitted to the Academy of Country Music Entertainment that deals with the difficult position of country FM stations in Canada having to maintain 30% Canadian content levels (while easy listening and contemporary rock formats are required to play between 15% and 20%). Thirty percent content is a difficult parameter to achieve when indeed only slightly greater than 7% of the total amount of the product being received is Canadian".

The Submission of Standard Broadcasting Corporation Limited proposes that "Cancon levels be eliminated" and "Excellent recordings would be played on merit in the Canadian radio environment". In turn, the Submission proposes a new tax-like regulation "whereby stations contribute .75% of gross revenues to a national development agency, FACTOR/CTL". However the Standard Submission does not indicate the existing Cancon supply and its effect on the radio broadcaster.

The Maclean-Hunter Limited "Notes for Discussion" indicate that, for radio: "leave Cancon requirements essentially as they are".

The Telemedia Presentation to the Task Force identified as "Regulatory Issues": 30% on AM, Lack of Material and Diversity; and (2) Industrial Strategy - Music and Record Industry. The Telemedia Quebec Presentation also identified the existing Canadian content regulations as excessive. However, neither presentation was supported by factual analysis of existing supply versus the quota.

The Canadian Music Publishers Association Brief to the CRTC concerning the Review of Radio argues for a 30% quota for AM and FM as well as cable systems, when they distribute general audio programming.

> "A variable percent Canadian content regulation should apply for programming other than general audio programming, and the Canadian content required should be determined periodically by the actual availability of Canadian music for the specific type of music programmed".

PART V

CONCLUSONS

The Primary Issue

An analysis of the Interviews and Secondary Data leads to the following conclusions:

(a) The need for Canadian content varies from market to market and station to station depending on format and whether its AM or FM.

(b) The supply of Canadian content similarly varies. For certain formats such as Country some stations will programme records which others won't. For all formats relying on current material the present quotas result in feast and famine periods.

(c) Statistics Canada, CHUM, CIRPA and other sources of newly released product are not sufficient due to:

- programming of old hits
- programming by many stations of non-nationally distributed records
- programming of only a portion of the 'cuts' from a particular album.

(d) The analysis of supply strictly on the basis of statistics of new releases is inadequate, since many formats use older material.

(e) A study based on interviews and new release statistics is not sufficient to determine policy on Canadian content.

Policy making on Canadian content for radio should be based upon an extensive study which addresses the following issues for stations in each format, on AM and FM and in various types of markets:

- how many records are played per day and when
- whether the records played are current or old
- how many current and old records are in the library including both nationally distributed and non-nationally distributed.

The study should also clarify once and for all that radio plays individual songs and should identify how many "cuts" on an album are programmed.

For example, in Country music, 400-500 singles and 40-50 LPs were released in 1984 of which 80% were not generally programmable.

In short, the study should identify the inventory and use.

(f) An analysis of the supply of Canadian content would involve a lengthy and sophisticated analysis on a per station basis. This would involve analysis of old versus new records, the size of the library, the programming of non nationally distributed records.

(g) A policy for Canadian content which is responsible to broadcasters' needs must be flexible. The risk of loss of access by Canadians to the airwaves must govern the policy making process. In other words, status quo in absence of clear and convincing proof based on hard data.

(h) This conclusion is supported by the views of broadcasters who generally favour status quo.

(i) This conclusion is also supported by the views of broadcasters who acknowledged that elimination of Canadian content would not significantly increase audiences to radio whereas the harm to the record industry would be significant. All broadcasters acknowledged an obligation to programme Canadian music and support Canadian talent.

(j) The conclusion is also supported by the fact that the only government policy which has proven effective in assisting Canadian creators of music is the CRTC Canadian content policy. To amend this policy by reducing quotas without an extensive objective analysis or by basing recommendations on interviews and concerns unsupported by facts is folly.

Secondary Issues

The following conclusions address issues other than the prime issue of supply:

(a) Certain formats cannot be transported to AM due to Cancon regulations, for example, Easy Listening.

(b) The continued reliance by many broadcasters, particularly AM radio on "old gold" does not assist in building Canadian artists into stars.

(c) The advent of "video" has resulted in excessive focus on an individual cut from an LP which contributes to the lack of supply of "programmable" current Canadian material.

(d) For Adult Contemporary the lack of a Canadian "VH-2" video channel hinders sales and supply.

(e) The efforts of Contemporary Hit Radio are often thwarted by a distribution system which does <u>not</u> respond to radio airplay by stocking and front racking Canadian artists at retail. Also, the CHR format sells singles, not LPs and 50% of all singles are returned. This serves to underline the fact that quota radio airplay is insufficient <u>per se</u> to force sales and in turn stimulate production.

(f) There is a declining supply generally of new recorded product worldwide.

(g) The statistics of LP releases while contradictory indicate that FACTOR has been a significant element in maintaining or increasing CANCOM (depending on whether CHUM or STATSCAN data are used) through its support of in excess of 120 projects in the past 3 years.

(h) Consistent with radio's mandate to expose artists and entertain audiences the CRTC requirements of promotion of Canadian talent via concerts, "home grown" contests and recordings and other efforts (apart from FACTOR) has proven generally ineffective for most formats.

PART VI

RECOMMENDATIONS

1. Canadian content on AM and FM should remain generally status quo and policy amendments should not be undertaken until:

   (a) a thorough sophisticated analysis of supply is conducted; and

   (b) the competition and policy issues between AM versus FM are resolved and a consensus among broadcasters is reached (since Canadian content is only one many issues in this context).

2. A channelling of Canadian talent promotion funds into a central source such as FACTOR is generally felt to be effective in addressing the issue of supply. This is in contrast to the present approach where each station commits resources and where many of these resources are wasted. The amount of commitment from each station should be relative to its revenues.

3. Canadian content policy making for radio should not be done in a vacuum. It must be done as part of an industrial strategy for the music industry which although promised by many previous governments has yet to be a reality.

4. Policy should also be made in the context of a revision to the Copyright Act.